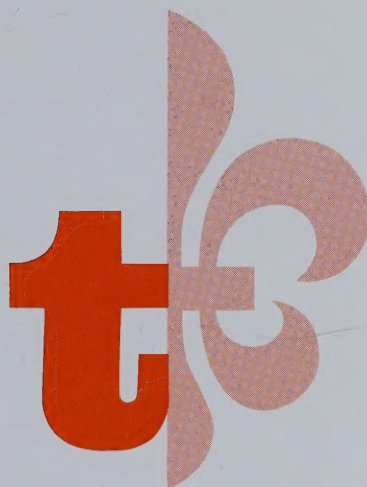


new



TOROMONT INDUSTRIAL HOLDINGS LTD.

a holding and management company

Annual Report 1966

THE DIRECTORS

W. M. V. ASH, M.A., Toronto. Director, Mercantile & General Reinsurance Company Ltd.; Bank of Montreal; Crown Trust Co.; The Bell Telephone Co. of Canada. Member of the Board of Governors, University of Toronto.

*†DAVID C. BARBER, B.SC., Toronto. President, Precision Castings Ltd.

R. C. BERKINSHAW, C.B.E., LL.D., Toronto. Deputy Chairman, Economic Investment Trust Ltd. Vice President and Director, The Mutual Life Assurance Co. of Canada; Crown Trust Co. Director, Goodyear Tire and Rubber Company of Canada Ltd.; Triarch Corp. Ltd. Chancellor, University of Trinity College, Toronto. President, Queen Elizabeth Hospital.

*P. L. BROWNE, M.C., Scarborough, Ont. President and Chief Executive Officer.

CHRISTIE T. CLARK, Toronto. Vice President and Director, Crown Trust Co. Director, Rolph-Clark-Stone Ltd.; The Dominion Insurance Corp.; Union Acceptance Corp. Ltd.

**†AIR MARSHAL W. A. CURTIS, C.B., C.B.E., D.S.C., LL.D., R.C.A.F. (Rtd.), Toronto. Director, Hawker Siddeley Canada Ltd.; Empire Life Insurance Co.; Dominion Steel and Coal Corp. Ltd.; Canadian Steel Ltd.; Chancellor, York University, Toronto.

†R. M. P. HAMILTON, B.SC., Toronto. Chairman of the Board, General Engineering Co. Ltd.

*†ALFRED T. HUNT, Toronto. Chairman of the Board, Gestetner (Canada) Ltd.

J. T. JOHNSON, Q.C., Toronto. Partner, Borden, Elliot, Kelley & Palmer, Barristers & Solicitors.

*Member of Management and Executive Committee.

**Chairman of Management and Executive Committee.

†On the Board of Directors of Subsidiary Companies.

HERBERT H. LANK, Montreal. Chairman of the Board, Dupont of Canada Ltd. Director, The Toronto-Dominion Bank; Consolidated Paper Corp. Ltd.; Montreal Trust Co.; Northern Electric Co. Ltd.; The Bell Telephone Co. of Canada; Canadian Pacific Railway Co.; Credit Foncier Franco-Canadien; Dominion Bridge Co. Ltd.; Sun Life Assurance Co. of Canada.

ANDRÉ MARCIL, Montreal. President, Marcil Mortgage Corp. Director, Mercantile & General Reinsurance Co. of Canada Ltd.

†PERCY NIGHTINGALE, Toronto. Formerly General Manager, the U.S. Steel Export Co.

J. A. NORTHEY, Toronto. Chairman of the Board, Telfer Paper Box Co. Ltd.; Continental Life Insurance Co. President, Northey Printing Co. Ltd. Director, The Consumers' Gas Co.; Niagara Gas Transmission; The Guarantee Co. of North America; The Wellington Fire Insurance Co.

*†GENERAL SIR NEIL M. RITCHIE, G.B.E., K.C.B., D.S.O., M.C., Toronto. President and Director, Mercantile & General Reinsurance Company of Canada Ltd. Chairman of the Board, McDonald-Buchanan Properties Limited; Director, Tanqueray-Gordon (Canada) Ltd.

EDWARD C. WOOD, Montreal. President, Edwood Ltd. Chairman of the Board, Sogemines Ltd. Director, Royal Bank of Canada; Northern Electric Co. Ltd.; Texaco (Can.) Ltd.; Asbestos Corporation Limited; Wabasso Cotton Co. Ltd. Life Governor, Montreal General Hospital. Governor, McGill University, Montreal.

THE OFFICERS

Chairman of the Board

R. C. Berkinshaw, C.B.E., LL.D.

President and Chief Executive Officer

P. L. Browne, M.C.

Vice President

Air Marshal W. A. Curtis, C.B., C.B.E., D.S.C., LL.D., R.C.A.F. (Rtd.)

Secretary

J. T. Johnson, Q.C.

Assistant Secretary Treasurer

Mrs. E. Chapman

GENERAL INFORMATION

Head Office, Toronto.

General Counsel

J. T. Johnson, Q.C.

Auditors

Touche, Ross, Bailey & Smart, Chartered Accountants.

Note: Messrs. Touche, Ross, Bailey & Smart are auditors not only for Toromont but for all its subsidiaries.

Transfer Agent and Registrar

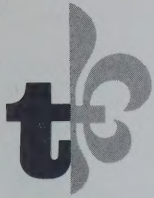
Crown Trust Co., Toronto and Montreal.

Bankers

Royal Bank of Canada, Toronto.

Canadian Imperial Bank of Commerce, Toronto.

Bank of Montreal, Toronto.



TOROMONT INDUSTRIAL HOLDINGS LTD.

FIFTH FLOOR, 200 UNIVERSITY AVE., TORONTO 1, CANADA 366-2734

REPORT TO SHAREHOLDERS

Herein is presented your Company's consolidated financial statements and auditors' report for the fiscal year ended December 31, 1966. We believe the shareholders will appreciate the new and attractive form of the Annual Report.

A study of the statements shows that the net income accruing to the shareholders amounted to approximately 13% on the invested capital and 10% on the invested capital plus the retained earnings, which retained earnings now stand at some \$478,000.

Net sales were up approximately 10% from \$12,745,000 in 1965 to \$13,937,000 in 1966.

Profit on operations before taxes was up approximately 25%—\$811,000 as compared with \$651,000 in 1965. After corporation taxes, net operating profit was \$410,000 as compared with \$334,000 in 1965—an increase of approximately 23%. From that net, one must deduct certain non-recurring expenses mentioned in the audited statement and interest on special bank loans.

Net profit after all charges but excluding non-recurring expenses of \$25,809 amounted to 13.2¢ per share outstanding, and cash flow after adding back depreciation to 28.1¢ per share.

As shareholders were advised, the W. E. Dillon Co. Ltd. of Leaside and Lloyd-Truax Ltd. of Toronto, Wingham and Walkerton were acquired in November and December 1965 respectively. The results in 1966 have fully justified these acquisitions which were made with the assistance of

the Company's bankers, hence the substantial increase in bank interest during the year under review.

Your Directors are happy to point out that profits shown in the statement are solely operating profits, whereas in 1965 the profit figures included substantial non-recurring profits realized on the sale of inactive physical assets and certain listed securities. *and it was about \$135,000*

The greater percentage of increase in the combined operating profits than in the combined sales reflects Toromont's drive for improved management efficiency.

All of your subsidiary companies now benefit from good management. Management teams have been built up. Insurance protection has been obtained on the lives of their senior executives, and suitable contributory pension funds have been established. Your Directors' opinion, based on careful forecasts, is that the current year should show substantially greater sales and net profits, provided always that economic activity remains more or less at the 1966 level.

The relations of your Company and its subsidiaries with their respective bankers continue to be excellent.

At the last Annual Meeting in April 1966 it was explained that an underwriting for the sale of 1,000,000 of your Company's shares had not been carried out. As was mentioned in the Directors' Report to Shareholders of February 3, 1966, this underwriting was conditional on the state of the market at the time of the issue. Shortly thereafter your Company's plans for a public offering had to be

deferred as the result of the sharp decline in availability of investment funds resulting from market and credit conditions. Since the prospectus for the proposed issue had already been prepared, your Directors decided to offer the shares privately. Under this arrangement subscriptions and full payment have been received for some 64,000 shares, and proceeds applied in reduction of the Company's bank loans.

Financing of a permanent nature to either reduce materially or pay off in full your Company's banking indebtedness during the current year is under active consideration and shareholders will be kept informed of progress. When this has been accomplished your Directors will be in a position to decide on a dividend policy.

Negotiations are under way whereby two relatively small companies might be acquired largely on a share exchange basis to round out the operation of one of the subsidiaries.

Annual Meeting of Shareholders

Notice calling the Annual General Meeting of Shareholders for April 24, 1967 is enclosed, together with form of proxy.

Subsidiary Companies

During the year under review plants and equipment have been well maintained and capital expenditures for modernization and expansion amounted to some \$602,000. These

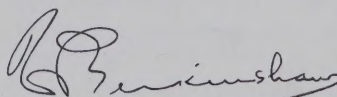
expenditures are enabling your Companies to further improve the quality of their products, cut production costs, and meet competition.

The Directors and Management of the subsidiary companies have paid particular attention to labour relations during 1966—three of the companies negotiated new labour contracts which are satisfactory under existing circumstances.

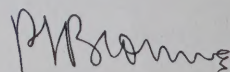
All of your Companies are operating profitably, and the prospects for their future growth under Toromont control are excellent, as the results of the year under review demonstrate. Your Directors feel that the shareholders can look to the future with confidence.

In closing, your Directors wish in your name to thank the officers and employees of the subsidiary companies for their loyal, intelligent and devoted service during 1966.

Submitted on behalf of the Board,



Chairman of the Board



President

Toronto

March 20, 1967

TOUCHE, ROSS, BAILEY & SMART

HALIFAX
QUEBEC
MONTREAL
TORONTO
LONDON
REGINA
NORTH BATTLEFORD
EDMONTON

SAINT JOHN
CAP DE LA MADELEINE
OTTAWA
HAMILTON
WINNIPEG
SASKATOON
CALGARY
VANCOUVER
VICTORIA

CHARTERED ACCOUNTANTS

SUN LIFE BUILDING
200 UNIVERSITY AVE.
TORONTO 1, ONTARIO
TELEPHONE: 366-6521

UNITED STATES OF AMERICA
GREAT BRITAIN
AND OTHER COUNTRIES
THROUGHOUT THE WORLD
CABLE ADDRESS: "TROBAS"

AUDITORS' REPORT

The Shareholders,
Toromont Industrial Holdings Ltd.

We have examined the accompanying consolidated balance sheet of Toromont Industrial Holdings Ltd. and subsidiary companies as at December 31, 1966 and the consolidated statements of income and retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the company and its subsidiaries as at December 31, 1966 and the results of their operations and the source and application of funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
March 10, 1967.

Touche, Ross, Bailey & Smart
Chartered Accountants.

TOROMONT INDUSTRIES

(Incorporated under the laws of the Province of Quebec)
and the laws of the United States of America

CONSOLIDATED BALANCE SHEET (With comparative figures for 1965)

ASSETS	1966	1965
Current:		
Cash.....	\$ 203,358	\$ 127,722
Accounts receivable, trade.....	2,241,861	2,150,351
Other accounts receivable.....	47	80,149
Mortgages receivable.....	30,000	99,500
Inventories, at the lower of cost or market.....	3,321,236	2,777,576
Prepaid expenses and deposits.....	117,879	116,542
	<u>5,914,381</u>	<u>5,351,840</u>
Fixed:		
Land, at cost.....	84,180	84,180
Buildings and equipment, at cost.....	\$5,373,773	4,826,948
Less accumulated depreciation.....	<u>3,173,034</u>	<u>2,992,676</u>
	2,200,739	1,834,272
	<u>2,284,919</u>	<u>1,918,452</u>
Investment in and advances to unconsolidated subsidiary:		
Shares, at cost (Note 1).....	98,895	
Advances.....	<u>45,929</u>	
	144,824	138,385
Other:		
Special refundable tax.....	25,235	—
Cash surrender value of life insurance.....	64,164	65,879
Mortgage receivable, due 1967.....	—	30,000
Patents, at cost less amortization.....	66,287	74,028
Organization expenses.....	<u>12,507</u>	<u>12,507</u>
	168,193	182,414
Excess of cost of shares of subsidiaries over book value of underlying assets at dates of acquisition.....	<u>654,048</u>	<u>652,959</u>
	<u>\$9,166,365</u>	<u>\$8,244,050</u>

On behalf of the Board:

P. L. BROWNE, Director

W. A. CURTIS, Director

See notes to consolidated financial statements

AL HOLDINGS LTD.

(a Corporations Act)

ies

AS AT DECEMBER 31, 1966

res for 1965)

LIABILITIES		1966	1965
Current:			
Bank indebtedness, subsidiaries (secured).....		\$1,380,253	\$ 941,868
Accounts payable and accrued liabilities.....		1,145,482	961,963
Liability in respect of acquisition of additional shares of a subsidiary.....		—	130,520
Taxes on income.....		178,996	173,300
Long-term debt—current portion (Note 4).....		372,492	98,600
		<u>3,077,223</u>	<u>2,306,251</u>
Demand bank loans, secured, arranged to acquire shares of subsidiaries (Note 3).....		2,861,756	2,863,556
Long-term debt (Note 4).....	\$ 986,692		
Less current portion.....	<u>372,492</u>		
		614,200	957,092
Deferred income taxes.....		221,030	114,180
Minority interest in subsidiaries, including preference shares, \$433,800.....		592,211	583,179

SHAREHOLDERS' EQUITY

Capital stock (Note 5):			
Authorized			
10,000,000 shares without par value			
Issued and fully paid			
1,509,135 shares (1965—1,445,134 shares).....		1,321,513	1,114,342
Retained earnings.....		<u>478,432</u>	<u>305,450</u>
		1,799,945	1,419,792
		<u>\$9,166,365</u>	<u>\$8,244,050</u>

TOROMONT INDUSTRIAL HOLDINGS LTD.

and subsidiaries

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1966

(With comparative figures for 1965)

	1966	1965
Sales.....	\$13,937,172	\$12,745,566
Cost of sales.....	10,709,592	9,827,056
Gross profit.....	3,227,580	2,918,510
Selling, administrative, and general expenses.....	2,457,075	2,305,491
Operating profit.....	770,505	613,019
Other income (net).....	41,186	38,537
Profit before taxes on income.....	811,691	651,556
Provision for taxes on income—current.....	\$293,562	
—deferred.....	107,900	
	401,462	317,328
Net profit before the following items.....	410,229	334,228
Special and non-recurring items:		
Profit on disposal of land and buildings, less related income taxes.....	—	77,484
Profit on disposal of marketable securities.....	—	58,620
	410,229	470,332
Less:		
Interest on bank loans arranged to acquire shares of subsidiaries.....	170,715	81,551
Professional fees and other expenses in connection with public financing.....	23,567	—
Cost of investigating potential company acquisition.....	2,242	—
	196,524	
Combined net income (Note 6).....	213,705	388,781
Deduct:		
Earnings prior to acquisition.....	—	142,007
Minority interest in earnings.....	40,723	9,789
	40,723	151,796
Net income for the year (Note 1).....	172,982	236,985
Retained earnings, beginning of year.....	305,450	68,465
Retained earnings, end of year.....	\$ 478,432	\$ 305,450

See notes to consolidated financial statements.

TOROMONT INDUSTRIAL HOLDINGS LTD.

and subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1966

Source of funds:

Combined net income.....	\$ 213,705
Add charges not requiring use of funds:	
Depreciation of buildings and equipment.....	227,172
Amortization of patents.....	7,771
Provision for deferred income taxes.....	<u>107,900</u>
Funds provided from operations.....	\$ 556,548
Sale of shares.....	207,171
Mortgage receivable—due within one year.....	30,000
Proceeds on disposal of fixed assets.....	<u>16,813</u>
	<u>810,532</u>

Application of funds:

Additions to buildings and equipment.....	602,749
Reduction in long-term debt.....	342,892
Dividends paid to minority shareholders.....	31,690
Instalments of special refundable tax.....	25,235
Increase in investment in and advances to unconsolidated subsidiary.....	6,439
Sundry items (net).....	<u>9,958</u>
	<u>1,018,963</u>
Decrease in working capital during the year.....	<u>\$ 208,431</u>

TOROMONT INDUSTRIAL HOLDINGS LTD.

and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1966

1. Principles of consolidation:

The consolidated financial statements include the accounts of all Canadian subsidiary companies. The accounts of a United Kingdom company, which is a subsidiary of one of the Canadian companies, have not been included as audited financial statements have not yet been received. Based upon unaudited financial statements as at December 31, 1966, this subsidiary has an accumulated net loss aggregating \$11,300 since acquisition, including a net profit of \$500 in respect of the year ended December 31, 1966.

2. Equity in subsidiaries:

The Company has title to all the common shares of all subsidiaries with the exception of W. E. Dillon Co. Ltd., in which a 75% interest is held. By the terms of an agreement with the minority shareholder, the Company is obligated to purchase the remaining 25% of the share capital not later than November 15, 1967 at a cost of \$213,900, which is at the same price per share as the 75% interest now owned.

3. Demand bank loans to acquire shares in subsidiaries:

These bank loans, payable by the parent company, are secured by assignment of the shares of subsidiary companies. Although payable on demand, they have not been classified as current liabilities since it is the Company's intention to replace the loans by funded debt or share capital.

4. Long-term debt:

The following is an analysis of long-term debt:

	<u>Current</u>	<u>Deferred</u>
Toromont Industrial Holdings Ltd.		
Notes payable (not subject to interest) maturing October 1, 1967.....	\$261,492	—
F. B. McFarren, Limited		
6% loan, payable \$700 monthly	8,400	\$ 12,400
Modern Handling Methods Limited and its subsidiary, El-Met-Parts Limited		
6% bank loan, payable \$5,000 monthly.....	60,000	145,000
Notes payable (not subject to interest) maturing \$16,000 per annum.....	16,000	16,000

	<u>Current</u>	<u>Deferred</u>
W. E. Dillon Co. Ltd.		
6½% mortgage payable November 15, 1970.....	—	\$ 50,000
Lloyd-Truax Ltd.		
5½% loans repayable in equal annual instalments, 1967 to 1970 inclusive.....	\$ 26,600	79,800
5% unsecured debentures, maturing February 1, 1983.....	—	311,000
	<u>\$372,492</u>	<u>\$614,200</u>

5. Capital stock:

During the year 64,001 shares of the Company's capital stock were issued for cash, as follows:

62,301 shares issued at \$3.25 per share pursuant to a prospectus dated April 29, 1966 (including commissions of \$631 charged to expense).....	\$202,479
1,700 shares issued at \$2.76 per share under the terms of an Incentive Stock Option Plan for executives of the Company and its subsidiaries.....	4,692
	<u>\$207,171</u>

An additional 73,800 shares of the capital stock have been allocated under the Incentive Stock Option Plan, in respect of which the options had not been exercised at December 31, 1966.

6. Charges to income:

The combined net income for the year is after charging the following costs and expenses:

	<u>1966</u>	<u>1965</u>
Depreciation.....	\$227,172	\$193,409
Amortization of patents.....	7,771	6,411
Directors' remuneration.....	38,425	28,000
Interest on long-term debt.....	41,240	35,386

The directors' remuneration shown above includes salaries paid to two salaried directors of the parent company (one of whom retired during the year), and directors' fees paid by subsidiaries to directors who were also directors of the parent company. The amounts shown above for interest on long-term debt exclude interest paid on bank loans to acquire shares of subsidiaries, the amounts of which are shown separately in the financial statements.

THE TOROMONT GROUP OF COMPANIES

F. B. McFarren, Limited, Streetsville, Ontario

Manufacturer of high-grade clay bricks.

J. A. Simpson, P.Eng., Vice President, General Manager and Director.

E. Chapman, Secretary-Treasurer.

El-Met-Parts Limited, Dundas, Ontario

Manufacturer of mechanical cores for electric and electronic applications.

Robert Briggs, P.Eng., General Manager and Director.

J. L. Duncan, C.A., R.I.A., Secretary-Treasurer.

Clare Brothers Limited, Preston, Ontario

Manufacturer of heating and air conditioning units.

H. J. A. Chambers, P.Eng., President and Director.

Harold Adams, General Manager.

F. Hamilton, Secretary-Treasurer.

Note: Clare Brothers has two small subsidiary companies in the United Kingdom—Commandair Ltd. Whitchurch, Hants, England, Manufacturing Clare Brothers products for the British and Continental markets; and James Smart Heating Ltd., Whitchurch, Hants, England, Selling organization for Clare Brothers Products.

Viking Pump Co. of Canada Ltd., Windsor, Ontario

Manufacturer of all types of pumps.

F. T. Sherk, President and Director.

Alexander Craigmyle, General Manager.

L. R. McLachlan, C.A., Secretary-Treasurer.

W. E. Dillon Co. Ltd., Toronto

Manufacturers and contractors for sheet steel and other metal products.

Earl M. Dillon, P.Eng., President, Director, and Chief Executive Officer.

F. C. Smith, General Manager and Director.

W. A. Johnston, Secretary-Treasurer.

Lloyd-Truax Ltd., Toronto, Wingham and Walkerton, Ontario

Manufacturer of wooden doors of all types.

D. C. Nasmith, President, Director, and General Manager.

C. D. Lloyd, Vice President, Director, and Assistant General Manager.

J. F. Saunders, C.A., P.Eng., Secretary-Treasurer.

PLANTS

Streetsville • Toronto • Dundas • Preston • Wingham (2) • Walkerton • Windsor • Whitchurch, Hants, England.

WAREHOUSES

Ottawa • Toronto • Winnipeg • Calgary • Edmonton • Vancouver • Whitchurch, Hants, England.

SALES OFFICES AND SERVICE DEPOTS

Windsor • Toronto • Montreal • Winnipeg • Vancouver • Whitchurch, Hants, England.

